

News from Ed Markey

United States Congress

Massachusetts Seventh District

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MARKEY LAUDS SIGNING OF NEW CORPORATE RESPONSIBILITY LAW

Calls on SEC to Bring Suits to Protect Investors

WASHINGTON, D.C. --

Congressman Edward J. Markey (D-MA), senior member on the House Energy and Commerce Committee, and former chairman of the Subcommittee on Telecommunications and Finance, released the following statement on the President's signing of the Corporate Responsibility Act today.

"The corporate responsibility bill signed today contains tough provisions that Democrats have been advocating for months, including an independent accounting oversight board with strong investigative powers, new rules to prevent research analyst conflicts-of-interest, and bans that restrict accounting firms from offering a menu of consulting services to their audit clients. Unlike the weak Republican measure that the House passed in April, this bill delivers badly needed investor protections designed to help restore confidence in the marketplace."

"I will continue to push for additional investor safeguards that were not included in the bill signed today, such as the restoration of liability for companies that assist their clients to commit securities fraud. Without this so-called "aiding and abetting" liability, defrauded investors still cannot bring civil lawsuits against the accounting firms, investment banks and other professional services firms that enabled their clients to commit fraud. The ability of investors to hold aiders and abettors accountable is particularly important in instances such as the Enron case, when the company that engaged in fraud declares bankruptcy, and defrauded investors are prevented, due to a 1994 Supreme Court decision, from recovering their losses from the firms that assisted in the perpetration of the fraud."

While individuals are precluded from bringing private suits against aiders and abettors of securities fraud, the Securities and Exchange Commission (SEC) has the authority to bring such suits. On May 23, 2002, Rep. Markey wrote to the SEC requesting information about cases that the SEC has brought against aiders and abettors of securities fraud. Citing the Enron case, Rep. Markey noted the role that professional services firms may play in the design, implementation and validation of their clients' fraudulent activities. Today, Rep. Markey called on the SEC to investigate whether firms may have aided or abetted Enron to commit fraud.

"The Senate's Government Affairs Subcommittee on Investigations currently is holding hearings on the role of financial institutions in Enron's collapse. While private parties are precluded from bringing suits against aiders and abettors, I urge the SEC to investigate whether banks, law firms or other professional services firms helped Enron to defraud investors," Rep. Markey said.

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